

Message Text

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67

ACTION EUR-25

INFO OCT-01 IO-13 ADP-00 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 PA-03 PRS-01 USIA-12 RSR-01 /164 W

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R 171612Z JUL 73

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 1851

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION GENEVA

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E.O. 11652: N/A

TAGS: EFIN, ETRD, FR EC

SUBJECT: VIEWS OF GOF OFFICIAL ON LINK BETWEEN MONETARY
SITUATION AND TRADE NEGOTIATIONS

1. DURING A CONVERSATION JULY 16 WITH FREYCHE, ECONOMIC
AND FINANCIAL ADVISER AT THE ELYSEE, WE BROUGHT UP GISCARD'S
STATEMENT (PARIS 18522) THAT, WHILE HE WOULD GO TO TOKYO
IN SEPTEMBER, IT WOULD BE UNREALISTIC TO BEGIN TRADE NE-
GOTIATIONS UNTIL EQUILIBRIUM IN EXCHANGE MARKETS WAS RE-
ESTABLISHED ON BASIS OF FEBRUARY PARITIES. WE RECALLED
THAT IN ITS OVERVIEW PAPER, THE EC, RECOGNIZING A LINK
BETWEEN THE TRADE AND MONETARY NEGOTIATIONS, AGREED THAT
IT WOULD PARTICIPATE IN THE NEGOTIATIONS BUT WOULD MAKE
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ITS DECISION ON WHETHER OR NOT TO SIGN THE FINAL AGREEMENT

IN THE LIGHT OF THE MONETARY SITUATION EXISTING AT THAT TIME. WE SAID THAT GISCARD'S STATEMENT SEEMED TO BE A RETREAT FROM THAT POSITION.

2. FREYCHE SAID THAT THIS WAS CORRECT. HE NOTED THAT AT THE TIME THE OVERVIEW PAPER WAS ADOPTED, THE DOLLAR HAD DEPRECIATED ONLY THREE OR FOUR PERCENT FROM THE FEBRUARY PARITIES, WHEREAS AT THE TIME GISCARD SPOKE, THE DEPRECIATION WAS 14 PERCENT. THIS WAS AN EXTREMELY SERIOUS SITUATION AND ALL EUROPEANS WERE CONCERNED.

3. THEN, NOTING THAT HE WAS SPEAKING PERSONALLY, FREYCHE WENT ON TO SAY THAT HE DID NOT BELIEVE THAT FRANCE WOULD DECIDE WHAT POSITION TO TAKE ON THE BEGINNING OF TRADE NEGOTIATIONS IN ISOLATION. THIS WOULD BE A DECISION WHICH IT WOULD MAKE TOGETHER WITH ITS EC PARTNERS. HE ALSO SAID THAT HE DID NOT EXPECT A SERIOUS CONFRONTATION WITH THE U.S. AT TOKYO. THERE MIGHT BE AN ARGUMENT ABOUT PROCEDURES, E.G., ABOUT SUCH QUESTIONS AS WHETHER WORKING GROUPS SHOULD BE SET UP TO MAKE RECOMMENDATIONS ON WHEN AND HOW TO BEGIN THE NEGOTIATIONS, BUT HE DID NOT THINK THERE WOULD BE ANY FIREWORKS.

4. COMMENT: IT IS POSSIBLE THAT FREYCHE'S RATHER RELAXED ATTITUDE ABOUT A MATTER WITH WHICH HE EXPRESSED HIMSELF WITH GREAT VEHEMENCE TWO WEEKS EARLIER IS AN INDICATION THAT THE GOF IS SOFTENING ITS POSITION AS A CONSEQUENCE OF SOME STRENGTHENING OF THE DOLLAR IN THE EXCHANGE MARKETS IN THE LAST WEEK. HOWEVER, WE BELIEVE IT WOULD BE BEST TO RESERVE JUDGMENT UNTIL THE PRIME MINISTER PUBLICLY STATES THE GOVERNMENT'S POSITION AS HE HAS PROMISED HE WOULD DO IN REPLY TO SOCIALIST LEADER MITTERAND'S LETTER CALLING ON THE GOVERNMENT TO BOYCOTT THE NEGOTIATIONS.

DECONTROL DECEMBER 31, 1977.

IRWIN

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